

**Child,
Van Wagoner &
Bradshaw, PLLC**

Davis Community Housing Authority

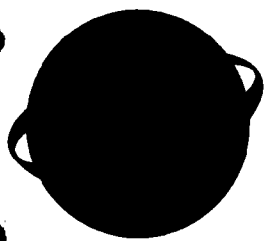
**Independent Auditors' Reports, Management's
Discussion and Analysis, and Supplemental
Information**

September 30, 2006

Davis Community Housing Authority

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Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the accompanying financial statements of the business-type activity and major fund of the Davis Community Housing Authority (the Authority), as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Authority as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Commissioners
Davis Community Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II on pages 27 through 36 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These Schedules are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
February 23, 2007

**Davis Community Housing Authority
Management's Discussion and Analysis (MD&A)
Year Ended September 30, 2006**

This section of the Davis Community Housing Authority's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of September 30, 2006 were \$11,092,693. The net assets increased by \$1,267,236, an increase of 12.9% over the prior year.

The Authority had a net increase of \$25,511 in Substantial Rehabilitation (Rosewood Villa), \$285,751 net decrease in Low Rent Public Housing & Capital Fund Programs, \$1,907 net increase in Moderate Rehabilitation, \$1,467,990 net increase in Housing Choice Vouchers, and \$57,579 net increase in various CDBG, Rental Rehab Projects, and other Business Activities.

Revenues for the Authority were \$8,934,611 for the year ended September 30, 2006. This was an increase of \$361,074 or 4.2% over the prior year.

Expenses for the Authority were \$7,667,375 for the year ended September 30, 2006. This was a decrease of \$734,978 or 8.7% from the prior year.

Rental revenue for the Authority was \$597,242 for the year ended September 30, 2006, an increase of \$47,069 or 8.6% over the prior year. HUD operating grants for the Authority was \$7,754,944 for the year ended September 30, 2006, an increase of \$175,336 or 2.3% over the prior year. HUD capital grants for the year ended September 30, 2006 were \$57,474, a decrease of \$275,289 or 82.7% from the prior year.

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information Required by HUD*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information Required by HUD*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2006 and is required to be included in the audit reporting package.

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$11,092,693 at the close of the year ended September 30, 2006 up from \$9,825,457 in fiscal year 2005. The increase in net assets of \$1,267,236 was due to an increase in current and other assets, and a decrease in current liabilities.

Current and other assets include cash, investments, receivables, prepaid expenses and amortizable costs. Significant changes in this category include a \$1,163,119 net increase in cash and investments, and a \$69,285 net decrease in notes receivable from loans made with community development block grants. Capital assets decreased \$232,504 because current year depreciation exceeded current year capital asset additions. See Section titled "Capital Asset and Debt Administration" of this analysis for an explanation of change in capital assets.

CONDENSED STATEMENTS OF NET ASSETS

	<u>FY 2006</u>	<u>FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 4,958,575	\$ 3,786,043	\$ 1,172,532	31.0%
Capital assets	<u>7,686,769</u>	<u>7,919,273</u>	<u>(232,504)</u>	-2.9%
Total Assets	<u>12,645,344</u>	<u>11,705,316</u>	<u>940,028</u>	8.0%
Current liabilities	367,286	641,081	(273,795)	-42.7%
Noncurrent liabilities	<u>1,185,365</u>	<u>1,238,778</u>	<u>(53,413)</u>	-4.3%
Total Liabilities	<u>1,552,651</u>	<u>1,879,859</u>	<u>(327,208)</u>	-17.4%
Net Assets				
Invested in capital assets, net of related debt	6,487,379	6,633,664	(146,285)	-2.2%
Restricted	465,527	2,037,631	(1,572,104)	-77.2%
Unrestricted	<u>4,139,787</u>	<u>1,154,162</u>	<u>2,985,625</u>	258.7%
Total Net Assets	<u>\$ 11,092,693</u>	<u>\$ 9,825,457</u>	<u>\$ 1,267,236</u>	12.9%

Current liabilities decreased \$273,795 mainly due to a \$205,647 decrease in overpayment due HUD in the Housing Choice Voucher and Moderate Rehabilitation Programs. The overpayment due HUD was \$99,585 in FY 2006 and \$305,232 in FY 2005. Current liabilities also decreased due to a \$42,949 decrease in accounts payable which represents amounts owed to suppliers for materials purchased or services performed in the current fiscal year that were paid after September 30, 2006. Noncurrent liabilities decreased \$53,413 primarily due to current year principal payments on long-term debt.

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net assets were \$4,139,787 as of September 30, 2006. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for the next fiscal year. The restricted net assets were \$465,527 as of September 30, 2006. This amount may not be used to meet the Authority's ongoing obligations and is subject to external restrictions on how they may be used.

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

The 2004 approved capital grant (501-04) totals \$277,994 and was 46.9% expended as of September 30, 2006. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/06, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 58,025	100.0%	Operations
1408	\$ 97,763	37.7%	Management Improvements
1410	\$ 27,799	100.0%	Administration
1450	\$ 66,750	0.0%	Site Improvements
1460	\$ 22,157	34.6%	Dwelling Structures
1470	\$ 2,500	0.0%	Non-Dwelling Structures
1475	\$ 3,000	0.0%	Non-Dwelling Equipment

The 2005 approved capital grant (501-05) totals \$246,748 and was 37.1% expended as of September 30, 2006. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/06, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 35,514	100.0%	Operations
1408	\$ 21,600	100.0%	Management Improvements
1410	\$ 24,675	100.0%	Administration
1450	\$ 8,023	0.0%	Site Improvements
1460	\$ 114,478	8.2%	Dwelling Structures
1465	\$ 15,910	0.0%	Dwelling Equipment
1470	\$ 26,548	0.0%	Non-Dwelling Structures

The 2006 approved capital grant (501-06) totals \$219,373 and was 9.6% expended as of September 30, 2006. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/06, and development account:

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006

FINANCIAL ANALYSIS (CONTINUED)

<u>Line No.</u>	<u>Amount</u>	<u>Percent Development Account</u>
1406	\$ 21,047	100.0% Operations
1408	\$ 26,672	0.0% Management Improvements
1410	\$ 21,937	0.0% Administration
1430	\$ 4,445	0.0% Fees & Costs
1450	\$ 30,672	0.0% Site Improvements
1460	\$ 84,373	0.0% Dwelling Structures
1465	\$ 2,667	0.0% Dwelling Equipment
1470	\$ 27,560	0.0% Non-Dwelling Structures

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table below, total revenues increased \$361,074 primarily due to an increase in HUD operating grants and other income. HUD operating grant revenue increased \$175,336 due to an increase in voucher assistance for the Housing Choice Voucher program of \$297,915. HUD operating grant revenue for CDBG decreased \$54,393 and capital funds used for operating expenditures decreased \$74,050. Other income increased \$351,360 mainly due to an increase in other income shown in the Housing Choice Voucher program of \$292,151. HUD capital grant revenue was higher in the prior fiscal year due to a large contract in FY 2004 that the contractor did not request payment until FY 2005.

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006

FINANCIAL ANALYSIS (CONTINUED)

Revenues and Contributions

Operating - non-operating -
capital contributions:

Rental revenue	\$ 597,242	\$ 550,173	\$ 47,069	8.6%
HUD PHA operating grants	7,754,944	7,579,608	175,336	2.3%
HUD PHA capital grants	57,474	332,763	(275,289)	-82.7%
Other government grants	298,650	7,093	291,557	4110.5%
Other income	132,130	71,416	60,714	85.0%
Interest income	94,171	35,011	59,160	169.0%
Total Revenues	<u>8,934,611</u>	<u>8,576,064</u>	<u>358,547</u>	4.2%

Expenses

Administrative	1,017,383	1,013,659	3,724	0.4%
Utilities	128,371	142,279	(13,908)	-9.8%
Ordinary maintenance & operations	377,039	343,813	33,226	9.7%
General expenses	131,373	88,444	42,929	48.5%
Insurance	62,873	60,169	2,704	4.5%
Housing assistance payments	5,485,669	6,298,531	(812,862)	-12.9%
Depreciation	409,964	381,055	28,909	7.6%
Interest expense	54,630	72,101	(17,471)	-24.2%
Loss on sale of fixed assets	73	2,600	(2,527)	-97.2%
Total Expenses	<u>7,667,375</u>	<u>8,402,651</u>	<u>(735,276)</u>	-8.8%

Change in net assets	1,267,236	173,413	1,093,823
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Beginning net assets	<u>9,825,457</u>	<u>9,652,044</u>	<u>173,413</u>
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Ending net assets	<u>\$ 11,092,693</u>	<u>\$ 9,825,457</u>	<u>\$ 1,267,236</u>
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Total expenses decreased \$735,276 mainly due to a decrease in housing assistance payments. Housing assistance payments decreased \$812,862 due to a 14.6% decrease in the average cost per housing choice voucher issued and outstanding during and the decrease of Vouchers issued by the Authority during the FY 2006. The average cost per unit month leased in FY 2006 was \$410.32 compared to \$480.35 in FY 2005. General expenses increased \$42,926 mostly due to an increase in grant expense for the Housing Opportunities for Persons with AIDS program.

**Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006**

FINANCIAL ANALYSIS (CONTINUED)

Low Rent Public Housing's occupancy rate as of September 30, 2006 was 98.0%, up from 97.7% in FY 2005. Housing Management's occupancy rate as of September 30, 2006 was 97.5%, up from 91.0% in FY 2005. Rosewood Villa's occupancy rate as of September 30, 2006 was 95.5%, up from 94.9% in FY 2005.

The Authority is authorized to assist 1,036 households with the Housing Choice Voucher Rental Assistance Program. The lease-up rate for FY 2006 was 95.4%, up from 95.2% in FY 2005. The Authority is also authorized to assist 83 households with the Section 8 Moderate Rehabilitation Program. The lease-up rate for FY 2006 was 99.2%, up from 98.0% in FY 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Davis Community Housing Authority's investment in capital assets, net of related debt, as of September 30, 2006 amounts to \$6,487,379 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Capital Assets – The total decrease in the Authority's capital assets for the current fiscal year was 2.9% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues and contributions were \$175,539 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$407,901. The Authority has \$501,185 available in capital funds to draw down and spend in the future. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

Debt Administration - The Authority has several mortgages that were used to purchase apartment complexes and an office building. Total mortgage debt as of September 30, 2006 amounts to \$1,199,390, down from \$1,285,609 in FY 2005. Additional information on the Authority's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the FY 2007 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's fiscal year ended September 30, 2004 and will not be adjusted until 2009. Most operating expenses are expected to increase by the economy's inflation rate. The Authority is projecting a 49.6% decrease in employee benefit contributions for FY 2007.

**Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2006**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

The Authority is eligible to receive \$2,943,887 for housing assistance payments and \$252,499 for administrative fees during the six-month period from October 2006 through March 2007 in the Housing Choice Voucher Program. Based on the average housing assistance payment per unit of \$410.32 for FY 2006, the Authority will have sufficient funding to lease 100.0% of its authorized vouchers during this six-month period. The Authority has not been notified by HUD on their funding levels for the remaining six months of next fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Jane Wilson, Executive Director, Davis Community Housing Authority address.

Davis Community Housing Authority
Statement of Net Assets
September 30, 2006

Assets

Current assets:

Cash - unrestricted (note 2)	\$ 2,585,988
Accounts receivable - HUD	103,738
Accounts receivable - other government	13,245
Accounts receivable - tenants	8,165
Notes receivable - current portion (note 10)	59,214
Accrued interest receivable	61,729
Prepaid expenses	7,391
Total current assets	<u>2,839,470</u>

Restricted deposits: (note 2)

Cash - tenants' security deposits	43,496
Cash - restricted	467,560
Investments - restricted	65,103
Total restricted deposits	<u>576,159</u>

Fixed assets: (note 8)

Land	2,341,521
Buildings	9,541,886
Furniture, equipment and machinery - dwellings	129,571
Furniture, equipment and machinery - administration	470,154
Leasehold improvements	774,349
Construction in progress	91,081
Total fixed assets	<u>13,348,562</u>
Less: accumulated depreciation	<u>(5,661,793)</u>
Net fixed assets	<u>7,686,769</u>

Other assets:

Notes receivable - less current portion, net of loan loss reserve of \$5,000 (note 10)	1,529,091
Loan costs, net of amortization of \$4,583	13,855
Total other assets	<u>1,542,946</u>

Total assets	<u><u>\$ 12,645,344</u></u>
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See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Net Assets (continued)
September 30, 2006

Liabilities

Current liabilities:

Accounts payable	\$ 59,294
Accounts payable - HUD	99,585
Accounts payable - other government entities	19,839
Accrued payroll taxes payable	9,859
Accrued compensated absences - current portion	16,658
Accrued interest payable	4,568
Mortgages payable - current portion (note 5)	84,288
Deferred revenue	41,547
Total current liabilities	<u>335,638</u>

Deposits and prepaid liabilities:

Tenants' security deposits	31,648
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Long-term liabilities:

Mortgages payable - less current portion (note 5)	1,115,102
Accrued compensated absences - less current portion	24,106
FSS escrow liability	46,157
Total noncurrent liabilities	<u>1,185,365</u>

Total liabilities	<u>1,552,651</u>
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Net Assets

Invested in capital assets, net of related debt	6,487,379
Restricted net assets	465,527
Unrestricted net assets	4,139,787
Total net assets	<u>11,092,693</u>

Total liabilities and net assets	<u><u>\$ 12,645,344</u></u>
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See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended September 30, 2006

Operating revenues:	
Dwelling rentals	\$ 597,242
HUD PHA operating grants	7,754,944
Capital grants	57,474
Other government grants	298,650
Other operating revenues	132,130
Total operating revenues	<u>8,840,440</u>
Operating expenses:	
Administration	1,029,849
Utilities	128,371
Ordinary maintenance and operations	377,039
General	81,407
Insurance	62,873
Housing assistance payments	5,523,169
Depreciation and amortization	409,964
Total operating expenses	<u>7,612,672</u>
Operating income	1,227,768
Nonoperating revenues (expenses):	
Interest income	94,171
Interest expense	(54,630)
Loss on the sale of fixed assets	(73)
Nonoperating revenues (expenses)	<u>39,468</u>
Change in net assets	1,267,236
Net assets at beginning of year	9,825,457
Net assets at end of year	<u><u>\$ 11,092,693</u></u>

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Cash Flows
Year Ended September 30, 2006

Cash flows from operating activities:

Dwelling rentals	\$ 597,746
HUD PHA operating grants	7,758,167
Capital grants	57,474
Other government grants	320,920
Other operating revenues	126,420
Interest income	96,231
Total receipts	<u>8,956,958</u>
Administration	(1,082,954)
Utilities	(128,371)
Ordinary maintenance and operations	(377,039)
General	(81,407)
Insurance	(62,873)
Housing assistance payments	(5,728,816)
Tenant security deposits	(2,358)
FSS escrow deposits	1
Interest	(54,944)
Total disbursements	<u>(7,518,761)</u>
Net cash provided by operating activities	<u>1,438,197</u>

Cash flows from investing activities:

Payments received on notes receivable	120,285
Increase in notes receivable	(51,000)
Net deposits to debt service fund	(49,527)
Net deposits to residual receipts account	(21,102)
Net deposits to reserve for replacement account	(10,328)
Net cash used in investing activities	<u>(11,672)</u>

Cash flows from noncapital financing activities:

-

Cash flows from capital financing activities:

Purchase of fixed assets	(175,539)
Costs associated with refinancing	(2,188)
Increase in long-term debt	115,608
Principal payments on long-term debt	(201,287)
Net cash used in capital financing activities	<u>(263,406)</u>

Net increase in cash and cash equivalents	1,163,119
Cash and cash equivalents at beginning of year	1,422,869
Cash and cash equivalents at end of year	<u><u>\$ 2,585,988</u></u>

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Cash Flows (continued)
Year Ended September 30, 2006

Reconciliation of change in net assets to net cash provided by
operating activities:

Change in net assets	\$ 1,267,236
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Adjustments to reconcile change in net assets to net cash
used operating activities:

Depreciation	407,901
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Amortization	2,063
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Loss on the disposal of fixed assets	73
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(Increase) decrease in:

Accounts receivable - HUD	3,223
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Accounts receivable - other government	22,117
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Accounts receivable - tenants	504
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Accrued interest receivable	2,060
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Prepaid expenses	(693)
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FSS escrow - cash	(13,630)
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Tenants' security deposits	(1,668)
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Increase (decrease) in:

Accounts payable	(42,949)
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Accounts payable - HUD	(205,647)
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Accounts payable - other government	153
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Accrued payroll taxes payable	(1,267)
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Accrued compensated absences	1,804
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Accrued interest payable	(314)
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Unearned revenue	(5,710)
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FSS escrow liability	13,631
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Tenants' security deposits	(690)
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Net cash provided by operating activities	\$ 1,448,197
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See accompanying notes to basic financial statements.

Davis Community Housing Authority
Notes to Financial Statements
Year Ended September 30, 2006

1. Summary of Significant Accounting Policies

Organization and History

The Davis Community Housing Authority (the Authority) was created under the laws of the State of Utah, and certified by the Department of Housing and Urban Development (HUD). The Authority is not considered a component unit of Davis County (the County) since the County exercises no responsibility either financially or administratively over the Authority. The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development.

Rosewood Villa is a multifamily HUD Subsidized project, which consists of 28 units, and is regulated under Section 221 (d)(3) of the National Housing Act of 1959, as amended. Rosewood Villa is regulated by HUD as to rent charges and operating methods. Rosewood Villa's financial statements are included in the Authority's supplementary schedules.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Davis County (the County), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority. No entity is considered a component unit of the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Assets – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at September 30, 2006 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits, reserve for replacement deposits, residual receipt deposits, debt service deposits, and FSS escrow deposits, which are presented as restricted deposits.

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Buildings	5-40
Furniture and equipment, dwellings	3-15
Furniture and equipment, administration	3-15
Leasehold improvements	5-15

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Authority and the tenants of the property are operating leases. Capital Funds are requested by HUD and recognized when earned. Housing Assistance Payments are recognized when earned from HUD.

2. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

2. Deposits and Investments (continued)

The Authority follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of September 30, 2006, \$3,182,615 of the Authority's bank balances \$300,000 were insured by the FDIC, the remaining \$2,882,615 were collateralized with securities held by pledging financial institution's trust department or agent in the Authority's name.

Investments

For the year ended September 30, 2006, the Authority had investments of \$65,103 held by the Authority's fiscal agent, Zions Bank. These investments were primarily U.S. Treasury Securities. These investments are restricted until the Authority pays the loan off of the office building.

The Act defines the types of securities authorized as appropriate investments for the Authority and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the Authority to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

2. Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At September 30, 2006, all Authority investments were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 2 of the Money Management Council limits investments in equity securities and fixed income securities to no more than 5 percent of all funds in any one issuer and no more than 25 percent of all funds in any one industry. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operation for less than 3 years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments.

3. Commitments and Contingencies

The Authority leases certain office equipment under non-cancelable operating leases extending through September 2008. Minimum future lease payments under non-cancelable operating leases with remaining terms in excess of one year as of September 30, 2006 in the aggregate and for each of the four succeeding fiscal years are as follows:

2007	\$ 7,488
2008	<u>6,168</u>
Total minimum future lease payments	<u>\$ 13,656</u>

Total lease expense was \$7,488 for the year ended September 30, 2006.

4. Economic Dependency

A majority of the revenues received by the Authority come from HUD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

5. Long-Term Debt

Long-term debt at September 30, 2006 consists of the following:

- 1- A mortgage payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a first lien on the land and buildings of the Villa Apartments complex (see item 2 below), with a carrying value of \$194,600 and bears an interest rate of 0% per annum. Principal and interest are payable in equal monthly payments of \$486. The mortgage note is due December, 2024, and began with a balance of \$122,635. \$ 98,772
- 2- A mortgage note payable due to a financial institution. The mortgage note is collateralized with a second lien on the land and buildings of the Villa Apartments complex (see item 1 above) and bears an interest rate of 6.25% per annum. Principal and interest are payable in equal monthly payments of \$1,303. The mortgage note is due October, 2010, and began with a balance of \$115,608. 107,789
- 3- A mortgage note payable due to a financial institution. The mortgage note is collateralized with a first lien on the land and buildings of the Hillside Apartments complex (see item 4 below), with a carrying value of \$268,400 and bears an interest rate of 8.75% per annum. Principal and interest are payable in equal monthly payments of \$2,665. The mortgage note is due November, 2025, and began with a balance of \$313,156. 297,092
- 4- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a second lien on the land and buildings of the Hillside Apartments complex (see item 3 above) and bears an interest rate of 5% per annum. Principal and interest are payable in equal monthly payments of \$537. The mortgage note is due July, 2041, and began with a balance of \$96,218. 91,879
- 5- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized by the land and buildings of the Hawthorne Apartments complex, with a carrying value of \$64,275 and bears an interest rate of 0% per annum. Principal and interest are payable in equal monthly payments of \$254. The mortgage note is due September, 2028, and began with a balance of \$76,008. 66,858

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

5. Long-Term Debt (continued)

6- A mortgage note revenue bond payable to a financial institution. The mortgage revenue bond is collateralized by the land and an office building, with a carrying value of \$1,062,884 and bears variable interest rates ranging from 2.15% to 4.65% per annum. Annual principal and interest payments range from \$79,026 to \$79,814, with principal paid annually and interest paid semiannually. The mortgage revenue bond is due January, 2014.

537,000

Total mortgages payable	1,199,390
Current portion	<u>84,288</u>
Long-term portion	<u>\$ 1,115,102</u>

Loan	Balance 09/30/05	Additions	Payments	Balance 09/30/06
State of Utah-Villa	\$ 110,968	\$ -	\$ (12,196)	\$ 98,772
Blair Jones-Villa	114,138	-	(114,138)	-
Barnes Bank-Villa	-	115,608	(7,819)	107,789
Wells Fargo-Hillside	302,377	-	(5,285)	297,092
State of Utah-Hillside	93,678	-	(1,799)	91,879
State of Utah-Hawthorne	69,908	-	(3,050)	66,858
Zions Bank Bond-Office	<u>594,000</u>	-	<u>(57,000)</u>	<u>537,000</u>
Total Long-Term Debt	<u>\$1,285,069</u>	<u>\$ 115,608</u>	<u>\$ (201,287)</u>	1,199,390
Current portion				<u>(84,288)</u>
Net long-term debt				<u>\$1,115,102</u>

Future maturities of long-term debt are as follows:

Year Ending September 30	Principal	Interest
2007	84,288	57,288
2008	87,550	54,006
2009	91,907	50,341
2010	95,367	46,317
2011	155,591	38,409
2012-2016	407,636	131,186
2017-2021	135,106	69,215
2022-2026	136,087	21,026
2027-2030	<u>5,858</u>	-
Total future maturities	<u>\$1,199,390</u>	<u>\$ 549,459</u>

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

5. Long-Term Debt (continued)

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

6. Retirement Plans

The Authority contributes to the Local Government Contributory Retirement System (Contributory System), a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are actuarially determined. The contribution rates in effect for the year ending September 30, 2006, and the two previous fiscal years, calculated on the applicable salary for the eligible employees, are as follows:

<u>Year Ended September 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
2006	N/A	6.00%	7.58%
2005	N/A	6.00%	7.08%
2004	N/A	6.00%	7.08%

The contributions made by the Authority for the year ended September 30, 2006 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

6. Retirement Plans (continued)

The required contributions and amounts received for the year ended September 30, 2006 and the two previous fiscal years are as follows:

	<u>Year Ended September 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division					
	2006	\$ -	\$ 39,696	\$ 47,688	\$ 661,608
	2005	\$ -	\$ 37,816	\$ 44,623	\$ 630,261
	2004	\$ -	\$ 38,347	\$ 38,223	\$ 639,117
Defined Contributory System:					
401(K) Plan					
	2006	\$ 11,364	\$ -		
	2005	\$ 11,073	\$ -		
	2004	\$ 6,086	\$ -		

7. Risk Management and Concentrations of Credit Risk

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Davis County area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2006

8. Changes in Fixed Assets

A summary of changes in fixed assets for the year ended September 30, 2006 is as follows:

	Balance 9/30/2004	Additions	Retirements	Transfers	Balance 9/30/2005
Land	\$ 2,341,521	\$ -	\$ -	\$ -	\$ 2,341,521
Buildings	9,389,267	110,261	-	42,358	9,541,886
Furniture & Equipment- dwellings	125,629	4,647	(705)	-	129,571
Furniture & Equipment- administrative	471,314	-	(31,852)	30,692	470,154
Leasehold Improvements	774,349	-	-	-	774,349
Construction in Progress	103,500	60,631	-	(73,050)	91,081
Total Fixed Assets	<u>\$ 13,205,580</u>	<u>\$ 175,539</u>	<u>\$ (32,557)</u>	<u>\$ -</u>	<u>\$ 13,348,562</u>
Accumulated Depreciation					<u>(5,661,793)</u>
Net Fixed Assets					<u>\$ 7,686,769</u>

9. Interprogram Eliminations

The Authority has interprogram receivables and payables totaling \$76,721 that have been eliminated on the basic financial statements.

10. Notes Receivable under Community Development Block Grants

The Authority makes loans for home improvements to low-income homeowners and to owners of qualified rental properties secured by trust deeds on the owner's property. Home improvement loans totaled \$1,593,332, with the current portion totaling \$59,214, at September 30, 2006. The loans bear interest at rates ranging from 0% to 5% per annum depending on the borrower's income level and family size. Certain loans are due in monthly installments, while others are due on the sale or transfer of the secured property. Management estimates that the carrying value of the notes receivable approximates the fair value of the underlying collateral. The home improvement program is funded principally under HUD's CDBG program through grants from the State of Utah. Payments received by the Authority on loans made from CDBG grants after 1987 must be used for the same purpose for which they were originally granted. The Authority received payments in the amount of \$120,285 on existing loans. The funds are to be paid back to the State of Utah if the Authority does not comply with the regulations of the contracts in which the funds were originally granted. Appropriately, the funds are classified as restricted.

Supplementary Schedules

Davis Community Housing Authority
Financial Data Schedule I - Balance Sheet
September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Business Activities	Mortgage Insurance, Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	HOME Investment Partnerships Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing
111	Cash - Unrestricted	\$248,813	\$10,691	\$0	\$0	\$0	\$0	\$271,590
113	Cash - Other Restricted	\$0	\$332,301	\$0	\$0	\$0	\$0	\$0
114	Cash - Tenant Security Deposits	\$5,700	\$5,286	\$0	\$0	\$0	\$0	\$32,510
100	Total Cash	\$254,513	\$348,278	\$0	\$0	\$0	\$0	\$304,100
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$4,003	\$4,880	\$0	\$0	\$0
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$9,947	\$295	\$0
125	Accounts Receivable - Miscellaneous	\$500	\$0	\$0	\$0	\$0	\$0	\$0
126	Accounts Receivable - Tenants - Dwelling Rents	\$1,259	\$136	\$0	\$0	\$0	\$0	\$6,770
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$1,759	\$136	\$4,003	\$4,880	\$9,947	\$295	\$6,770
132	Investments Restricted	\$65,103	\$0	\$0	\$0	\$0	\$0	\$0
142	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$7,391
144	Interprogram Due From	\$136	\$819	\$0	\$0	\$0	\$0	\$21,047
150	Total Current Assets	\$321,511	\$349,233	\$4,003	\$4,880	\$9,947	\$295	\$339,308
161	Land	\$609,925	\$48,348	\$0	\$0	\$0	\$0	\$1,683,248
162	Buildings	\$1,655,383	\$772,466	\$0	\$0	\$0	\$0	\$7,079,357
163	Furniture, Equipment & Machinery - Dwellings	\$8,188	\$110,088	\$0	\$0	\$0	\$0	\$11,295
164	Furniture, Equipment & Machinery - Administration	\$6,298	\$42,416	\$0	\$0	\$0	\$0	\$288,591
165	Leasehold Improvements	\$24,915	\$0	\$0	\$0	\$0	\$0	\$749,434
166	Accumulated Depreciation	\$-516,483	\$-912,164	\$0	\$0	\$0	\$0	\$-4,136,637
167	Construction in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,788,224	\$61,154	\$0	\$0	\$0	\$0	\$5,675,288
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
174	Other Assets	\$13,855	\$0	\$0	\$0	\$0	\$0	\$0
180	Total Non-Current Assets	\$1,802,079	\$61,154	\$0	\$0	\$0	\$0	\$5,675,288
190	Total Assets	\$2,123,590	\$410,387	\$4,003	\$4,880	\$9,947	\$295	\$8,014,598

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitat UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$169,506	\$1,667,384	\$0	\$218,004	\$2,585,988
113	Cash - Other Restricted	\$0	\$67,136	\$0	\$68,123	\$467,560
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$0	\$43,496
100	Total Cash	\$169,506	\$1,734,520	\$0	\$286,127	\$3,087,044
122	Accounts Receivable - HUD Other Projects	\$0	\$73,808	\$21,047	\$0	\$103,738
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$3,003	\$13,245
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$500
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$0	\$0	\$8,165
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$-5,000	\$-5,000
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$58,714	\$58,714
129	Accrued Interest Receivable	\$0	\$0	\$0	\$61,729	\$61,729
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$73,808	\$21,047	\$118,446	\$241,031
132	Investments Restricted	\$0	\$0	\$0	\$0	\$65,103
142	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$0	\$7,391
144	Interprogram Due From	\$359	\$3,162	\$0	\$51,198	\$78,721
150	Total Current Assets	\$169,865	\$1,811,490	\$21,047	\$455,771	\$3,487,350
161	Land	\$0	\$0	\$0	\$0	\$2,341,521
162	Buildings	\$0	\$0	\$0	\$34,680	\$9,541,886
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$129,571
164	Furniture, Equipment & Machinery - Administration	\$1,835	\$57,858	\$36,863	\$36,294	\$470,153
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$774,349
166	Accumulated Depreciation	\$-1,835	\$-57,808	\$-9,409	\$-27,456	\$-5,661,792
167	Construction In Progress	\$0	\$0	\$91,081	\$0	\$91,081
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$18,535	\$43,518	\$7,686,769
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$1,534,091	\$1,534,091
174	Other Assets	\$0	\$0	\$0	\$0	\$13,855
180	Total Non-Current Assets	\$0	\$0	\$18,535	\$1,577,609	\$9,234,715
190	Total Assets	\$169,865	\$1,811,490	\$139,582	\$2,033,389	\$12,722,085

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Business Activities	Mortgage Insurance, Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	HOME Investment Partnerships Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing
312	Accounts Payable <= 90 Days	\$4,801	\$4,841	\$0	\$0	\$0	\$0	\$30,742
321	Accrued Wage/Payroll Taxes Payable	\$9,765	\$0	\$0	\$0	\$0	\$0	\$0
322	Accrued Compensated Absences - Current Portion	\$755	\$2,046	\$0	\$0	\$0	\$0	\$6,987
325	Accrued Interest Payable	\$4,568	\$0	\$0	\$0	\$0	\$0	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$19,839
341	Tenant Security Deposits	\$4,716	\$5,068	\$0	\$0	\$0	\$0	\$21,864
342	Deferred Revenues	\$2,162	\$384	\$0	\$0	\$0	\$0	\$1,324
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$84,288	\$0	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$2,657	\$0	\$4,003	\$4,880	\$9,947	\$295	\$1,806
310	Total Current Liabilities	\$113,712	\$12,139	\$4,003	\$4,880	\$9,947	\$295	\$82,362
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$1,115,102	\$0	\$0	\$0	\$0	\$0	\$0
354	Accrued Compensated Absences - Non Current	\$1,087	\$2,945	\$0	\$0	\$0	\$0	\$10,054
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
350	Total Noncurrent Liabilities	\$1,116,189	\$2,945	\$0	\$0	\$0	\$0	\$10,054
300	Total Liabilities	\$1,229,901	\$15,084	\$4,003	\$4,880	\$9,947	\$295	\$92,416
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$588,834	\$61,154	\$0	\$0	\$0	\$0	\$5,675,288
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$65,103	\$332,301	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$239,752	\$1,848	\$0	\$0	\$0	\$0	\$246,892
513	Total Equity/Net Assets	\$893,889	\$395,303	\$0	\$0	\$0	\$0	\$5,922,180
600	Total Liabilities and Equity/Net Assets	\$2,123,590	\$410,387	\$4,003	\$4,880	\$9,947	\$295	\$6,014,596

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$1,297	\$15,157	\$0	\$2,656	\$59,294
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$94	\$9,859
322	Accrued Compensated Absences - Current Portion	\$543	\$5,192	\$0	\$1,135	\$16,658
325	Accrued Interest Payable	\$0	\$0	\$0	\$0	\$4,568
331	Accounts Payable - HUD PHA Programs	\$99,585	\$0	\$0	\$0	\$99,585
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$19,839
341	Tenant Security Deposits	\$0	\$0	\$0	\$0	\$31,648
342	Deferred Revenues	\$0	\$0	\$0	\$37,677	\$41,547
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	\$0	\$0	\$0	\$0	\$84,288
347	Revenue Bonds	\$0	\$359	\$21,047	\$31,927	\$76,721
310	Interprogram Due To	\$0	\$20,708	\$21,047	\$73,486	\$444,007
	Total Current Liabilities	\$1,014,25				
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0	\$0	\$1,115,102
354	Bonds	\$781	\$7,471	\$0	\$1,768	\$24,106
353	Accrued Compensated Absences - Non Current	\$0	\$46,157	\$0	\$0	\$46,157
350	Noncurrent Liabilities - Other	\$781	\$53,828	\$0	\$1,768	\$1,185,365
	Total Noncurrent Liabilities					
300	Total Liabilities	\$1,02,208	\$74,336	\$21,047	\$75,257	\$1,829,372
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$50	\$118,535	\$43,518	\$6,487,379
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$68,123	\$465,527
512.1	Unrestricted Net Assets	\$67,659	\$1,737,154	\$0	\$1,846,482	\$4,139,787
513	Total Equity/Net Assets	\$67,659	\$1,737,204	\$118,535	\$1,953,123	\$1,092,693
600	Total Liabilities and Equity/Net Assets	\$169,865	\$1,811,540	\$139,582	\$2,033,380	\$12,722,065

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Business Activities	Mortgage Insurance and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	HOME Investment Partnerships Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing
703	Net Tenant Rental Revenue	\$253,548	\$42,333	\$0	\$0	\$0	\$0	\$301,361
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$7,014
705	Total Tenant Revenue	\$253,548	\$42,333	\$0	\$0	\$0	\$0	\$308,375
706	HUD PHA Operating Grants	\$0	\$148,529	\$14,305	\$0	\$51,816	\$50,529	\$276,864
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
711	Investment Income - Unrestricted	\$8,237	\$986	\$0	\$0	\$0	\$0	\$9,336
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$6,372	\$2,718	\$0	\$0	\$0	\$0	\$30,080
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$-73
720	Investment Income - Restricted	\$0	\$5,705	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$268,157	\$198,271	\$14,305	\$0	\$51,816	\$50,529	\$624,582

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitat UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$0	\$597,242
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$7,014
705	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$604,256
706	HUD PHA Operating Grants	\$681,539	\$6,532,315	\$21,047	\$0	\$7,754,944
706.1	Capital Grants	\$0	\$0	\$57,474	\$0	\$57,474
708	Other Government Grants	\$0	\$290,646	\$0	\$8,004	\$298,650
711	Investment Income - Unrestricted	\$4,771	\$12,502	\$0	\$16,992	\$52,824
714	Fraud Recovery	\$686	\$26,334	\$0	\$0	\$27,030
715	Other Revenue	\$50	\$3,505	\$0	\$55,361	\$98,086
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$-73
720	Investment Income - Restricted	\$0	\$33,555	\$0	\$2,087	\$41,347
700	Total Revenue	\$687,056	\$6,898,857	\$78,521	\$82,444	\$8,934,538

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Business Activities	Mortgage Insurance and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	HOME Investment Partnerships Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing
911	Administrative Salaries	\$12,668	\$57,988	\$0	\$0	\$7,816	\$563	\$108,339
912	Auditing Fees	\$0	\$285	\$0	\$0	\$0	\$0	\$1,140
914	Compensated Absences	\$803	\$0	\$0	\$0	\$0	\$0	\$2,849
915	Employee Benefit Contributions - Administrative	\$5,974	\$26,821	\$0	\$0	\$0	\$0	\$43,678
916	Other Operating - Administrative	\$6,635	\$20,996	\$0	\$0	\$0	\$12,466	\$55,551
931	Water	\$4,299	\$10,535	\$0	\$0	\$0	\$0	\$15,080
932	Electricity	\$1,780	\$2,379	\$0	\$0	\$0	\$0	\$43,078
933	Gas	\$1,514	\$720	\$0	\$0	\$0	\$0	\$26,859
938	Other Utilities Expense	\$4,171	\$0	\$0	\$0	\$0	\$0	\$17,958
941	Ordinary Maintenance and Operations - Labor	\$17,015	\$19,462	\$0	\$0	\$0	\$0	\$115,217
942	Ordinary Maintenance and Operations - Materials and Other	\$16,355	\$13,609	\$0	\$0	\$0	\$0	\$51,874
943	Ordinary Maintenance and Operations - Contract Costs	\$11,885	\$12,557	\$0	\$0	\$0	\$0	\$46,681
945	Employee Benefit Contributions - Ordinary Maintenance	\$7,919	\$0	\$0	\$0	\$0	\$0	\$47,318
961	Insurance Premiums	\$9,711	\$6,687	\$0	\$0	\$0	\$0	\$35,085
962	Other General Expenses	\$0	\$0	\$14,305	\$0	\$0	\$0	\$0
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$19,839
964	Bad Debt - Tenant Rents	\$1,533	\$551	\$0	\$0	\$0	\$0	\$13,163
966	Bad Debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
967	Interest Expense	\$54,630	\$0	\$0	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$156,692	\$172,590	\$14,305	\$0	\$7,816	\$13,029	\$643,709
970	Excess Operating Revenue over Operating Expenses	\$111,485	\$25,681	\$0	\$0	\$44,000	\$37,500	\$-19,127
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$0	\$37,500	\$0
974	Depreciation Expense	\$58,762	\$170	\$0	\$0	\$0	\$0	\$337,769
900	Total Expenses	\$215,454	\$172,760	\$14,305	\$0	\$7,816	\$50,529	\$981,478
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$0	\$0	\$17,332
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$-44,000	\$0	\$0
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$-44,000	\$0	\$17,332
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$52,703	\$25,511	\$0	\$0	\$0	\$0	\$-339,564

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitat UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
911	Administrative Salaries	\$21,955	\$302,754	\$0	\$33,579	\$545,662
912	Auditing Fees	\$285	\$7,505	\$0	\$285	\$9,500
914	Compensated Absences	\$0	\$0	\$0	\$2,760	\$6,212
915	Employee Benefit Contributions - Administrative	\$10,063	\$117,353	\$0	\$3,529	\$207,418
916	Other Operating - Administrative	\$10,222	\$111,078	\$0	\$44,110	\$261,058
931	Water	\$0	\$0	\$0	\$0	\$29,914
932	Electricity	\$0	\$0	\$0	\$0	\$47,237
933	Gas	\$0	\$0	\$0	\$0	\$29,093
938	Other Utilities Expense	\$0	\$0	\$0	\$0	\$22,129
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$0	\$151,694
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$16,111	\$0	\$0	\$97,949
943	Ordinary Maintenance and Operations - Contract Costs	\$1,036	\$0	\$0	\$0	\$72,159
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$0	\$55,237
961	Insurance Premiums	\$247	\$11,143	\$0	\$0	\$62,873
962	Other General Expenses	\$0	\$0	\$0	\$15,924	\$30,229
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$19,839
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$15,247
966	Bad Debt - Other	\$0	\$0	\$0	\$16,090	\$16,090
967	Interest Expense	\$0	\$0	\$0	\$0	\$54,630
969	Total Operating Expenses	\$43,808	\$565,944	\$0	\$116,277	\$1,734,170
970	Excess Operating Revenue over Operating Expenses	\$623,248	\$6,332,913	\$78,521	\$-33,833	\$7,200,368
973	Housing Assistance Payments	\$621,341	\$4,864,328	\$0	\$0	\$5,523,169
974	Depreciation Expense	\$0	\$595	\$7,376	\$5,291	\$408,963
900	Total Expenses	\$665,149	\$5,430,867	\$7,376	\$121,568	\$7,667,302
1001	Operating Transfers In	\$0	\$0	\$0	\$44,000	\$61,332
1002	Operating Transfers Out	\$0	\$0	\$-17,332	\$0	\$-61,332
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$-17,332	\$44,000	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$1,907	\$1,467,990	\$53,813	\$4,876	\$1,267,236

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Business Activities	Mortgage Insurance and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	HOME Investment Partnerships Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$631,262	\$369,792	\$0	\$0	\$0	\$0	\$5,881,026
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$9,724	\$0	\$0	\$0	\$0	\$0	\$280,718
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	432	336	0	0	0	0	1,896
1121	Number of Unit Months Leased	421	321	0	0	0	0	1,858
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2006

PHA: UT009 FYED: 09/30/2006

Line Item No.	Account Description	Lower Income Housing Assistance Program, Section 8 Moderate Rehabilitat UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$65,752	\$289,214	\$345,440	\$1,982,971	\$9,825,457
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$-280,718	\$-9,724	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$722,953	\$6,443,213	\$0	\$0	\$7,166,166
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$160,414	\$0	\$0	\$0	\$160,414
1116	Total Annual Contributions Available	\$883,367	\$6,443,213	\$0	\$0	\$7,326,580
1120	Unit Months Available	996	12,432	0	0	16,092
1121	Number of Unit Months Leased	988	11,855	0	0	15,443
1117	Administrative Fee Equity	\$0	\$268,437	\$0	\$0	\$268,437
1118	Housing Assistance Payments Equity	\$0	\$1,467,003	\$0	\$0	\$1,467,003

Davis Community Housing Authority
Notes to Financial Data Schedule
Year Ended September 30, 2006

1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net income</u>
Balances per Financial Data Schedules	\$12,722,065	\$1,629,372	\$11,092,693	\$1,267,236
Elimination of interprogram balances	<u>(76,721)</u>	<u>(76,721)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u>\$12,645,344</u>	<u>\$1,552,651</u>	<u>\$11,092,693</u>	<u>\$1,267,236</u>

**Schedule of Expenditures of Federal Awards and
Other Audit Reports and Schedules**

Davis Community Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

<u>Federal Assistance Programs</u> <u>Agency/Program Grant Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U.S. Department of Housing & Urban Development (HUD)		
Direct Programs:		
Mortgage Insurance – Rental and Cooperative Housing for Moderate Income Families and Elderly	14.135	\$ 146,529
Low-Rent Public Housing	14.850	276,864
Section 8 Moderate Rehabilitation	14.856	661,539
Section 8 Housing Choice Vouchers	14.871	6,532,315
Public Housing Capital Fund	14.872	78,521
Section 8 Housing Choice Vouchers	14.871	290,646
Passed Through from the Utah State Department of Community and Economic Development:		
HOME Program	14.239	51,816
Housing Opportunities for Persons With Aids	14.241	50,529
Passed Through from Clearfield City:		
Community Development Block Grants/ Small Cities Program	14.219	14,305
Total expenditures of federal awards		<u>\$ 8,103,064</u>

Davis Community Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

1. Scope of Audit Pursuant to OMB Circular A-133

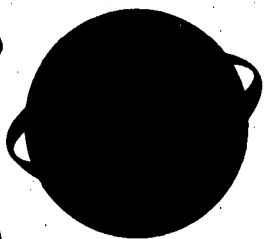
The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the September 30, 2006 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the financial statements of the business activity and major fund of the Davis Community Housing Authority (the Authority) as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 23, 2007. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended September 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants and other agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

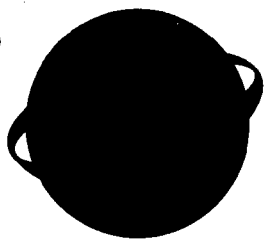
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February 23, 2007

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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

Compliance

We have audited the compliance of the Davis Community Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

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North Point, Hong Kong

Board of Commissioners
Davis Community Housing Authority

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
February 23, 2007

**Davis Community Housing Authority
Schedule of Findings and Questioned Costs
Year Ended September 30, 2006**

SECTION I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Non compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs?

CFDA Number(s)

14.871

Name of Federal Program

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Davis Community Housing Authority
Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2006

Section II-Financial Statement Findings and Questioned Costs

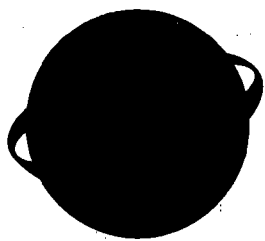
No matters were reported for the fiscal year ended September 30, 2006.

Section III-Federal Award Findings and Questioned Costs

No matters were reported for the fiscal year ended September 30, 2006.

Davis Community Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended September 30, 2006

No matters were reported for the fiscal year ended September 30, 2005.



Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA
Marty D. Van Wagoner, CPA
J. Russ Bradshaw, CPA
William R. Denney, CPA
Roger B. Kennard, CPA
Scott L. Farnes
Russell E. Anderson, CPA

Davis Community Housing Authority Independent Auditors' Report on State Legal Compliance Year Ended September 30, 2006

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the financial statements of the Davis Community Housing Authority (the Authority), for the year ended September 30, 2006, and have issued our report thereon dated February 23, 2007. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Cash Management
- Other Compliance Requirements

The Authority received no major state funding during the year ended September 30, 2006.

The Authority received the following nonmajor funding during the year ended September 30, 2006:

- Critical Needs Grant
- Low Income Housing

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended September 30, 2006.

Child, Van Wagoner & Bradshaw
Child, Van Wagoner & Bradshaw, PLLC
Kaysville, UT
February 23, 2007

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